
Market Notice

20 September 2017
MN_70/2017

Settlement Discipline – Test in production environment for the calculation of penalties/bonuses

For the attention of:

Priority:

Re:

DCPs, ICPs

HIGH

Settlement Discipline – Test in production environment for the calculation of penalties/bonuses

Dear Client,

We are pleased to inform you that on 29 September next, Monte Titoli will complete the test of the calculation of penalties which commenced in July last. Transactions present each day in the production environment were verified in order to ensure that, in the new T2S context, they fully corresponded with the results of the previous “Model for application of penalties” described in the Settlement Service Instructions (*cf.* chapter 1.5: Penalties System) which are still valid and available at the following link:

<https://www.lseg.com/sites/default/files/content/01%20Istruzioni%20Servizio%20di%20Liquidazione%2023012017%20senza%20evidenza.pdf>

In particular, Monte Titoli carried out the following types of test in production:

- daily verification of the reconciliation of bilateral balances of pending settlement instructions received from T2S by semt.018 message, except cases where there is currently no provision for penalties (cross-border/transactions on hold)
- verification of scenarios with precise test cases, on sample days, in which penalties are to be applied

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- verification of scenarios with precise test cases, on sample days, in which no penalties are to be applied
- daily verification of the exact recognition of bonuses on a significant sample of financial instruments.

These verifications have not revealed any critical issues so far, but an update on the situation will be given once the internal validations have been completed, in any event before the commencement of external testing, which is scheduled to take place between 2 October and 10 November 2017.

During this period, clients can also verify that the calculation is correct and that the reporting provided for in the Model is adequate, with the sole exception the actual debiting or crediting of penalties and bonuses by Monte Titoli.

In particular, note that:

- the file in csv format (identical in data scheme and content to that adopted in the past), containing a detailed report of the positions subject to calculations in the penalty procedure, will be sent to the email address previously indicated by the participant.¹
- participants are required to verify that, on the basis of what is stated in the Settlement Service Instructions (*cf.* chapter 1.5: Penalties System), penalties and the corresponding bonuses are correctly set and attributed to the entity concerned.

¹ If not already indicated, participants should, if possible, send a group email address, to which reports of penalties are to be sent, to pt.clientservices@lseg.com.

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All clients that are members of the Settlement Service are invited to carry out verifications of the procedure for extraction of positions and application of the penalties and to forward confirmation of the tests and their outcomes to **mt-test-sett@lseg.com** by 15 November 2017.

Monte Titoli will consider the absence of a response as tacit agreement that the penalties calculation and attribution system is functioning correctly.

Please use the following contact address for support requests during the test phase:

Settlement Operations

Email: mt-test-sett@lseg.com